

15th November, 2017.

GDC/MSK/005/17-18/dk

TO: ALL BIDDERS

Dear Sir/Madam,

ADDENDUM 2: CLARIFICATION

RE: TENDER FOR REQUEST FOR FINANCING PROPOSAL TO ACT AS LETTER OF CREDIT (L/C) SUPPORTED BY A PARTIAL RISK GURANTEE (PRG) FROM THE AFRICAN DEVELOPMENT FUND (ADF) IN SUPPORT OF THE 105MW MENENGAI GEOTHERMAL PROJECT - GDC/PMT/RFP/021/17:18

In response to bidder request for clarification, GDC wishes to provide the following clarification;

1. Clarifications Post the Pre-bid Conference

NO	BIDDERS' QUERIES	GDC/KPLC RESPONSES
1.	Will the obligors be GDC and KPLC separately due to the different contracts with the IPPs and both serving varying objective, i.e. GDC providing steam under PISSA and Kenya Power off-taking the power output from IPPs and effecting payment to IPPs under the PPA. Your initial response was that it will be a joint and several SBLC/ LC issued on behalf of GDC and KPLC IFO of the IPPs. Our view that these would be independent owing to the standalone agreements between the IPPs and GDC/KPLC respectively hence L/C will be applied by either GDC or KPLC and not a 'joint ' application as per your response. Please clarify our understanding is correct	<p>The agreements-PISSA and PPA-entered into by the two entities are stand alone, however, provisions on the SBLC are similar excepting the events guaranteed, as follows:</p> <p>KPLC</p> <p>(i) three (3) months payment obligations for energy charges; and deemed generated energy payments</p> <p>GDC</p> <p>(i) Deemed generated energy payments.</p> <p>We hereby clarify that the liability shall be several</p>
2.	Please provide GDC 2014, 2015 and 2016 financials to facilitate a credit view over the deemed short term loan upon any demand from IPPs if any.	Please refer to clarification in Addendum 1, Post Pre-bid Conference- Question 3
3.	In case of a drawdown of the SBLC limit by GDC/KPLC, what will be the expected tenors	The tenor shall be 12 months (<i>refer to Term Sheet</i>)

NO	BIDDERS' QUERIES	GDC/KPLC RESPONSES
	where either party, GDC or KPLC decide to utilize the Bank line offered out of this RFP?	
4.	<p>What is the maximum amounts of the loans</p> <p>What is the frequency (taking into account the billing periods and noting that the L/C covers 3 months)</p>	<p>The maximum amount is USD 3,755,850.00 per IPP or USD 11,267,550.00 cumulative and the aggregate replenishment from GDC and/or KPLC.</p> <p>The frequency shall be upon the occurrence of the guaranteed event subject to the limit indicated hereinabove.</p>
5.	Sample of documentary proof of non-payment to be presented by the L/C Beneficiaries to the issuing bank	Template of the notification of the occurrence of the guaranteed event and accompanying documentation shall be discussed during the negotiation and drafting of the RCA
6.	Once a claim is made to ADB, what will be the expected reimbursement period by ADB to the L/C issuing bank? Can you please obtain and share the verbiage of the PRG/reimbursement agreement commonly issued by ADF.	The terms of reimbursement shall be as negotiated between the ADF and the L/C issuing Bank under the Guarantee Agreement. However, as standard, all payments to be made by the ADF pursuant to the Guarantee Agreement shall be made on or before the 10 th business day following the acceptance date (the date of the ADF's notification to the L/C bank of the acceptance of a Demand Notice) of the relevant Demand Notice (a notice from the L/C Bank making a demand under the Guarantee Agreement).
7.	There was KETRACO involvement in the transmission of power to Kenya Power grid. Is this a fixed cost, who incurs it and who carries the supply lines risk btw IPPs and KPLC? Is this covered under the PPA	The transmission has been constructed by KETRACO. It is complete and energized waiting for power plant construction and commissioning. The project is not exposed to any supply line risks.
8.	Please share the Project feasibility reports carried out earlier	The risk to the banks under the transaction is backstopped by ADF. The feasibility study report is not necessary for this transaction.
9.	Project Environmental & Social Impact study and management plan	The ESIA licenses are in place available at GDC offices to be collected during working hours (<i>Manager, Supply Chain's Office</i>).
10.	Please share the PISSA & PPA agreements	The elements of the PPA and PISSA which are relevant to this transaction are covered in the RFP (<i>See annexure 1 clauses 6 and 7</i>)

NO	BIDDERS' QUERIES	GDC/KPLC RESPONSES
11.	What comfort can you provide bidders that GDC will be able to produce adequate quantities of steam	Please refer to clarification on question 6 in the 1 st addendum
12.	Is it possible for periodic reports to be provided to the lenders, from the IPPs, confirming quantities of steam supplied	The claim from the IPPs shall be for steam not supplied.
13.	Please provide details regarding GDC's compliance with its environmental and social objectives. This would help if accompanied by copies of relevant ISO certifications, as well as a copy of the environmental and safety policy	Copies of NEMA licenses and ISO certifications available at GDC offices to be collected during working hours (<i>Supply Chain Offices-Manager, Doris Kyaka</i>).
14.	Please also confirm that none of GDC's drilling takes place in any protected areas such as national parks and nature reserves etc.	The project is located at Menengai area and the parcel of land owned by KFS under an executed Lease Agreement.
15.	Please provide information on the status of drilling activities in Menengai – number of wells drilled and completed, the output of the wells, and any dry wells if any	Please refer to clarification on question 6 in the 1st addendum
16.	Please confirm if the steam pipeline infrastructure is already completed. If not, what are the construction timelines and who is the contractor	The steam pipeline is 85% complete, the projected completion time is December 2017.
17.	Confirmation if the steam supply contract will be serviced through existing wells or if these will be new wells to be drilled by GDC.	The steam supply agreement will be serviced from existing wells and make up wells to be drilled through the project life.
18.	How is GDC protected from the IPP lack of performance? i.e. IPPs inability to maintain the power plant and dispatch of contracted energy	The PISSA provisions protects GDC from the IPP non-performance. In any case, the SBLC shall not come into play when such an instance occurs

The closing date and all other instructions remain unchanged.

Yours faithfully,

DORIS KYAKA
MANAGER, SUPPLY CHAIN
FOR; GEOTHERMAL DEVELOPMENT COMPANY

